

VZCZCXRO5580
OO RUEHBC RUEHDA RUEHDE RUEHIHL RUEHKUK RUEHMOS
DE RUEHGB #0916/01 0791636
ZNR UUUUU ZZH
O 201636Z MAR 06
FM AMEMBASSY BAGHDAD
TO RUEHC/SECSTATE WASHDC IMMEDIATE 3435
INFO RUCNRAQ/IRAQ COLLECTIVE

UNCLAS SECTION 01 OF 02 BAGHDAD 000916

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E.O. 12958: N/A

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SUBJECT: THE ROAD TO AN INTERNATIONAL COMPACT WITH IRAQ

REF: Satterfield/Jeffrey March 14 email

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11. (SBU) Summary: Embassy and the donor community in Baghdad agree that the time is right to forge an international compact with the GOI, ensuring that both sides are committed to a clear set of principles, goals and actions. To achieve this, the UN advocates building on existing donor mechanisms such as the Iraq Reconstruction Fund Facility for Iraq (IRFFI) and to utilize two conferences: a technical preparatory conference in Erbil, at which representatives would put together the goals and proposals of the compact, and a larger, international "compact conference" to be held outside Iraq at which the compact will be presented. Embassy believes that such a compact should be used to push the new government to initiate meaningful economic reforms (including keeping its commitments to the IMF), stress the need for tough anti-corruption measures, strengthen rule of law, and further pursue national reconciliation. An Erbil prepcom would be useful if there is full Sunni and Shia participation. Embassy recommends as a next step that we and other donors reach out to Iraq's neighbors to garner regional support for the compact. End Summary.

Compact Vice Consultative Group

12. (SBU) Recent meetings with UN and other international organizations and embassies in Baghdad show a great deal of consensus that the time is right to move donor countries' relations with Iraq to a more organized and equal footing, with each side clearly committing to a set of principles, goals and actions. While a traditional consultative group approach is premature, we see an opportunity to move forward with the Iraqis on an international compact upon which we intend to base this more normalized donor relationship.

13. (SBU) The context for the compact provides us with the vehicle to achieve it. UN Deputy SRSG Stefan De Mistura told EmbOffs recently that he sees the existing Iraq Reconstruction Fund Facility for Iraq (IRFFI) Donors Conference framework as a natural base upon which to build this new relationship. He sees the compact being developed in the course of two successive donor-related conferences, with both the UN and the World Bank playing leading roles. (Comment: And we agree. End Comment.) Anti-corruption, rule of law, economic reform, and national reconciliation are among the specific policies on which the U.S. and other donors seek Iraqi commitments.

The Venue

¶4. (SBU) The venue for any IRFFI-type conference has been the subject of much discussion, with the Iraqis and some donors - the UN, Italy and Denmark - pushing for Erbil, but others uncomfortable with the choice for political ("if in Iraq, then in Baghdad") or security ("if in Iraq, then senior international officials will not attend") reasons, preferring a location outside of Iraq. De Mistura's idea is to utilize both venues, with the larger, international "compact conference" held outside Iraq and a technical preparatory conference - attended by all provincial Governors and Ministers, as well as regional and Baghdad-based international representatives - in Erbil. The implicit tradeoff is that, if Salih brings the Shia and Sunnis, the initial meeting will be in Erbil. The Iraqis (says Salih) will then acquiesce to the main event being held abroad.

Forging the Compact - Two Part Approach

¶5. (SBU) The UN intends that the preparatory "Erbil" meeting will be a true working meeting for the GOI, where representatives will put together the goals and proposals of the compact. A more select GOI group will present these conclusions to a collection of international players at the international "compact" conference. Presently, Salih is working with the UN to engage the provinces in updating the National

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Development Strategy as a prelude to a preparatory meeting. On the first day of the international conference, the Iraqis could present the compact, making a political rather than just a technical statement. On the second day, building on the political momentum of the compact, countries hesitant to pledge (France, Germany) or who have been slow to disburse pledges already made (the Gulf States) would be strongly encouraged to "bring more than just a smile" to the table to match the Iraqi commitment in the compact. De Mistura relayed Salih's full support for this approach.

¶6. (SBU) The suggested timeline is tight: a preparatory "Erbil" meeting in May and an international conference in June. Delay, however, runs the risk of missing the window of opportunity presented by a new GOI - if the new government is indeed in place by April. However, if the new GOI does not materialize until June, a September/October combination then becomes a viable option.

Comment

¶7. (SBU) We note that a huge amount of donor time and energy has been spent on venue discussions. If Salih can deliver full Shia and Sunni participation from all the governorates, then we should support the prepcom idea to strengthen GOI buy-in. While the overall approach of a preparatory conference followed by an international one is a way to broker the differences on venue, we are less confident than de Mistura that Salih can bring together Shia and Sunnis in a Kurdish venue. If, in fact, the scenario put forward by Salih proves to be upsetting to non-Kurdish members of the GOI, we should be prepared to revisit this. Erbil must be an "all-Iraq" conference, not just one for the KRG. Nonetheless, if it meets with acceptance, we are ready

to move beyond this venue discussion and get to the next step, namely the need to bring Iraq neighbors into the compact. We believe that regional buy-in is essential.

KHALILZAD